

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

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FM AMCONSUL MONTERREY

TO SECSTATE WASHDC 3162

AMEMBASSY MEXICO

INFO USDOC WASHDC

UNCLAS MONTERREY 0331

E.O. 11652: N/A

TAGS: EGEN, ELAB, ECRP, MX

SUBJ: FUNDIDORA MONTERREY ON STRIKE

REF: CERP 0539

DEPARTMENT PASS EXIMBANK

1. MONTERREY'S LARGEST STEEL MILL, THE FUNDIDORA, HAS BEEN PARALYZED BY A STRIKE SINCE MAY 23, MILITANT ELEMENTS WITHIN THE MINERS' UNION FORCED THE STRIKE, DESPITE THE FACT THAT THE UNION'S EXECUTIVE COMMITTEE HAD ALREADY ACCEPTED A CONTRACT SETTLEMENT IN MID-MAY WITH A TEN-PERCENT WAGE INCREASE. THIS TRADITIONALLY DISSIDENT MINORITY -- ALLEGED TO BE SUPPORTED BY EXTREMIST AGITATORS -- GAINED TEMPORARY CONTROL OF A WORKERS' UNION MEETING AND HIKED DEMANDS TO INCLUDE A SIXTEEN-PERCENT WAGE INCREASE, COMPANY PAYMENTS OF WORKERS' TAXES, AND INCREASED FRINGE BENEFITS. THE STRIKE IS ALSO TAKING ON A MORE POLITICAL CAST AS SPOKESMEN FOR THE DISSIDENTS JUSTIFY THEIR DEMANDS BY ALLEGING GOM INACTION IN CONTROLLING INFLATION.

2. MANY MONTERREY BUSINESSMEN APPEAR CONFIDENT THAT GOM PRESSURES BEING EXERTED IN THE CAPITAL WILL ENSURE EVENTUAL
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SETTLEMENT TERMS IN THE TEN-PERCENT RANGE MANDATED BY THE FEDERAL GOVERNMENT. ANY EXCEPTION TO THE "NOT-MORE-THAN-TEN-PERCENT RULE" WOULD HAVE SERIOUS IMPLICATIONS FOR THE NATION AS A WHOLE. ALSO, THE MANAGEMENT OF THE FINANCIALLY-PRESSED FUNDIDORA CAN HARDLY AFFORD A MORE GENEROUS SETTLEMENT.

3. A FUNDIDORA SPOKESMAN ESTIMATES THAT DAILY PRODUCTION

LOSSES DUE TO THE STRIKE ARE 3,000 TONS OF STEEL VALUED AT FIFTEEN MILLION PESOS (ABOUT US 700,000). LOCAL STEEL INDUSTRY REPRESENTATIVES PREDICT THAT A STRIKE OF MORE THAN TWO WEEKS DURATION WILL HAVE SERIOUS CONSEQUENCES FOR THE ECONOMY, PARTICULARLY IN THE CONSTRUCTION, AUTO AND APPLIANCE SECTORS. ALSO, ANY SHARP RISE IN THE FUNDIDORA'S WAGE BILL WILL COMPOUND THE FIRM'S DIFFICULTIES IN REPAYING ITS HEAVY FOREIGN DEBT ARISING FROM THE FIRM'S RECENTLY COMPLETED THIRD STAGE EXPANSION PROGRAM.
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Message Attributes

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